

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE PUERTO RICO ECONOMY

The importance of small business to Puerto Rico is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - At the end of 1997, Puerto Rico had 20,791 businesses with employees; 81.9 percent of the businesses were very small businesses (fewer than 20 workers). *County Business Patterns, 1995* from the U.S. Bureau of the Census found that in 1995, Puerto Rico had 38,832 total establishments (physical locations). Of these establishments, 37,818 had less than 100 employees (97.4 percent) and 23,314 establishments had less than 5 employees (60.0 percent).

**Business Turnover** - For 1996, the Administrative Office of the U.S. Courts reported 284 business bankruptcies. This was a 37.9 percent increase from the 1995 figure of 206, but a 42.4 percent decrease from the 1994 figure of 493.

**Employment** - According to the Bureau of Labor Statistics in 1996, Puerto Rico had 964.5 thousands jobs including 647.6 thousand private sector jobs. Although the government provided 32.9 percent of the jobs in Puerto Rico in 1996, the small business industries of wholesale and retail trade; and services led with the most private sector jobs. Construction, another small business industry, led in employment growth with a 22.4 percent increase from 1994 to 1996. The three relatively large business industries of manufacturing; finance, insurance, and real estate; and transportation, and public utilities; had the lowest employment increases of all of the private sector major industries.

**Output** - From fiscal year 1993 to 1995, Puerto Rico incurred a 6.3 percent increase in gross domestic product. The government sector was a large factor in this growth, as it increased by 9.8 percent during this period. Manufacturing had the largest private sector gains followed by services. Agriculture actually decreased in gross domestic product during this period. In fiscal year 1995, manufacturing was the sector representing the largest percent (41.5 percent) of Puerto Rico's gross domestic product, while agriculture represented the lowest percent (0.9 percent).

**Financing** - From 1990 to 1993, the number of branches of commercial banks declined slightly from 352 to 351. Also from 1990 to 1993, commercial bank assets increased 13.2 percent (from \$20.9 billion to \$23.7 billion) and commercial bank loans increased 21.0 percent (from \$12.6 billion to \$15.3 billion). In addition, the Government Development Bank for Puerto Rico assets' increased by 18.9 percent (from \$6.7 billion to \$8.0 billion), and loans to private borrowers increased by 83.6 percent (from \$0.17 billion to \$0.30 billion). While the slight decline in bank branches is generally bad news for small business, increasing loan amounts and bank asset amounts are generally good news for small business.

Table 1, Firms in Puerto Rico by Employment Size of Firm, 1997

Employment Size of Firm	Firms	Percent of Firms	Percent of U.S. (1995)
Total	20,791	100.0	100.0
0-4	9,322	44.8	60.5
5-9	4,738	22.8	18.3
10-19	2,974	14.3	10.7
20-99	2,856	13.7	8.8
100-249	510	2.5	1.1
250+	391	1.9	0.6

Note: Does not include the self-employed. Puerto Rico excludes 344 firms not identifiable, and understates the number of businesses with less than 10 employees. For the U.S., 75 percent of the firms from the employment category of 100-499 were believed to have less than 250 employees.

Source: Office of Advocacy, U.S. Small Business Administration, based on Dun and Bradstreet data and the Department of Commerce, Bureau of the Census.

Table 2, Employment in Puerto Rico (excludes agriculture, in thousands), 1994-1996

Industry	1994	1995	1996	Percent of 1996	Percent of 1996, U.S.	Percent Change (94-96)
Total - All Industries	895.9	927.3	964.5	100.0	100.0	7.6
Mining	1.0	1.0	1.1	0.1	0.5	10.0
Construction	44.2	48.4	54.1	5.6	4.5	22.4
Manufacturing	151.0	153.7	153.0	15.9	15.3	1.3
Transportation and public utilities	22.7	23.0	24.1	2.5	5.3	6.2
Wholesale and retail trade	175.8	184.4	191.7	19.9	23.6	9.0
Finance, insurance, and real estate	41.9	42.9	44.3	4.6	5.8	5.7
Services	159.2	169.3	179.3	18.6	28.7	12.6
Government	300.1	304.6	316.9	32.9	16.3	5.6

Source: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Labor, Bureau of Labor Statistics.

Table 3, Gross Domestic Product in Puerto Rico (in millions of dollars), Fiscal Years 1993-1995

Industry	1993	1994	1995	Percent of 1995	Percent of 1995, U.S.	Percent Change (93-95)
Total - All Industries	37,711	40,140	42,671	100.0	100.0	6.3
Agriculture	411	377	366	0.9	1.5	(2.9)
Manufacturing	15,427	16,584	17,719	41.5	17.6	6.8
Construction and Mining	874	907	959	2.2	5.3	5.7
Transportation and public utilities	3,009	3,115	3,264	7.6	8.5	4.8
Wholesale and retail trade	5,303	5,642	5,895	13.8	15.4	4.5
Finance, insurance, and real estate	4,897	5,160	5,451	12.8	18.7	5.6

Services	3,909	4,284	4,546	10.7	19.7	6.1
Government	3,881	4,071	4,471	10.5	13.3	9.8

Note: Figures for 1995 are preliminary.

Source: Office of Advocacy, U.S. Small Business Administration from data provided by the Puerto Rico Planning Board, *Economic Report to the Governor, 1995*, and the Department of Commerce, Bureau of Economic Analysis.